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DATE: 14 November 1957

MEMORANDUM FOR: Deputy Director/Intelligence

THROUGH: Assistant Director, Research and Reports

SUBJECT: Highlights of U.S./Polish Talks (First three meetings, October-November 1957).

1. In the three meetings to date, the Polish delegation has presented a list of commodities which Poland hopes to purchase from the U.S. during 1958 by means of a new credit under the agricultural surplus program (P.L. 480) and a loan from the Export-Import Bank. Excluding transport charges, the total value of the Polish list is estimated to be at least \$260 million. The amount requested on the previous loan was \$300 million, and the amount finally received, \$95 million.

2. The amounts of the most important commodities on the list are: grains, 950 thousand tons; cotton, 60 thousand tons; fats and oils, 60 thousand tons (in terms of fat content); citrus fruit, 60 thousand tons; powdered milk, 15 thousand tons; wool, 6 thousand tons; raw hides, 30 thousand tons; rayon yarn, 6 thousand tons; synthetic fibers (nylon, orlon, etc.), \$6.2 million; semi-finished plastics, \$6.2 million; and medical equipment, \$5.2 million. Requests were also made for miscellaneous other agricultural products and for industrial products of which present Polish supplies are so limited as to constitute bottlenecks in certain consumer goods industries (for example: condensers and tubes for radios; carburetors, spark plugs and starters for automobiles and motorcycles; ball bearings and springs for bicycles), or for the tools needed to produce adequate amounts of these goods domestically. The Polish delegation requested, in addition, that 10 thousand tons of the cotton imports be manufactured into yarn in the U.S. and third countries because the capacity of the Polish cotton-spinning mills has been stretched almost to the limit.

3. It is estimated that if aid-financed shipments are sent in the amounts requested, they would represent 50 percent of total Polish imports of grains in 1958 (another 27 percent coming from the U.S.S.R.), 42 percent of imports of cotton (47 percent from the U.S.S.R.), 39 percent of imports of fats and oils, and 54 percent of imports of citrus fruit. The grain would represent 27 percent of estimated urban consumption of grain in Poland in 1958, and the fats and oils would add 27 percent to Polish production of these items.

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4. There has been no discussion of equipment credits as yet. No further meetings on the present requests will be held until after 17 November, except for individual working groups on the technical aspects of the proposed loans.

5. According to the Polish delegation, Poland's great present need for foreign credits is due to the Gomulka government's attempt to raise living standards, and, at the same time, to create a more flexible and less autocratic system of economic planning and management in accord with the new "economic model", and to modify the economic structure in order to support a more consumer-oriented policy and to obtain equilibrium in the balance of payments. In addition, present policies must provide the basis for rapid industrialization to insure employment in the future for Poland's rapidly growing population and for further movements from farm to city.

6. In support of the present request for U.S. credits, the Polish delegation is stressing the need to: build up grain reserves of about 800 thousand tons in order to abolish compulsory deliveries; increase the quantity and quality of consumer goods such as textiles, citrus fruit, etc., in the market; increase supplies of various kinds of industrial materials and semi-manufactures (hides, rayon, plastics) which can be processed by small private industry and handicraft; eliminate bottlenecks in consumer goods production; develop adequate inventories of industrial goods in order to decentralize and liberalize the management of enterprises.

7. Substantial improvements in personal consumption are said to have taken place recently but part of these improvements has been achieved by increasing imports and reducing exports of consumer goods, and by letting inventories fall to dangerously low levels. Only about 50 percent of the total value of commodities under the previous U.S. credit has been purchased thus far, and this amount is not yet reflected in Polish statistics.

8. A complete transcript of the discussions has been made available to this office.

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European Satellites Branch
Analysis Division

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